



WISCONSIN REGULATORY DIGEST

Volume 12, No. 1 A Publication of the ACCOUNTING EXAMINING BOARD June, 2002

Board Member Information

Norbert "Jim" Johnson was reappointed by Governor McCallum to a second term to end in July 1, 2006. Jim is a C.P.A. in Milton.

Frank Probst continues to serve his term as a member of the AICPA Board of Examiners, which is responsible for content preparation and grading of the Uniform CPA Exam. Members of this prestigious Board are selected from throughout the U.S.

Secretary Herrera Appoints New Deputy

In January, DRL Secretary Oscar Herrera, announced the appointment of **Greg Horstman** as Deputy Secretary. Horstman, a La Crosse native, joined the Department from a distinguished executive management career in the private sector. "I'm excited to serve the State of Wisconsin under Governor McCallum and to play an instrumental role in Secretary Herrera's leadership team," said Horstman. In concert with the Governor's directive to strengthen and streamline services to all constituents, Horstman will draw on his business experience to help spearhead the Department's new efforts in this area. Horstman, a graduate of the University of Wisconsin – Madison, resides in Watertown.

WISCONSIN ACCOUNTING EXAMINING BOARD

Board Members

Frank Probst, Chair (Brookfield)
Sharon Hamilton, Vice Chair (Racine)
Roman Jungers II, Secretary (Waupaca)
Frederick Franklin (Milwaukee)
Norbert "Jim" Johnson (Milton)
Thomas Kilkenny (Milwaukee)
Vacancy (Public Member)

Administrative Staff:

Cletus Hansen, Division Administrator
Mary Forseth, Bureau Director

Executive Staff:

Oscar Herrera, Secretary
Greg Horstman, Deputy Secretary
Myra Shelton, Executive Assistant

New Bureau Director Appointed

Mary Forseth has been appointed as Director of the Bureau of Business and Design Professions. Ms. Forseth came to the agency in October 2000 as an Administrative Policy Advisor to work on the reorganization of the licensing operation and creation of the new Division of Professional Credentialing. Previously, she was with the Department of Transportation, most recently as Chief of New Program Development and Legislative Liaison for the Division of Motor Vehicles.

Katharine Hildebrand, former Bureau Director, was appointed to coordinate communications activities for the Department.

DRL Website Information

Did you know that this digest, along with many other informational materials, are on the Department's website? Monthly press releases of disciplinary actions and orders are also posted on the website. In addition, you can check on the status of a pending application or a credential holder's record. You can also e-mail an address change, question, or suggestion. Future goals for the Department will be to post applications for downloading and provide on-line renewal of credentials. If you haven't looked at the website lately, check it out for answers to a variety of questions.

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Computer-Based Uniform CPA Examination Scheduled to Begin in November 2003

Planning is on schedule for implementation of the new computer-based examination. The new examination is expected to be offered exclusively on computer beginning in late 2003 or early 2004. It will completely replace the paper-and-pencil version of the examination. The new computer examination will still have four sections. The old and new titles for sections of the examination are listed in the table below. More detailed information on the content and administration of the new examination will be available as the implementation date nears.

Paper-and-Pencil Examination	Computer-Based Examination
Auditing	Auditing & Attestation
Financial Accounting & Reporting	Financial Accounting & Reporting
Accounting & Reporting	Regulation
Business Law & Professional Responsibilities	Business Environment & Concepts

Current plans are to allow candidates to sit for each section separately and to take the sections in any order. Each section of the computer examination will be approximately as long as the corresponding paper section is now. All sections of the examination must be completed within an 18-month "rolling" window, which begins on the date that the first section is passed. In the event that all four sections are not passed within the rolling 18-month period, credit for any sections passed prior to the 18-month period will expire and the sections must be retaken. Candidates who have received conditional credit for sections of the paper examination will be allowed to take the remaining corresponding sections of the computer examination, as listed in the table above, in order to complete the examination.

Eligibility to sit for the examination will continue to be determined by the jurisdiction where the CPA credential is sought. Eligible examination candidates will be able to schedule directly with the company administering the examination. Examinations will be offered at sites in Madison and Milwaukee, and candidates will also be permitted to take the examination at sites in other states. The examination will be given over a two-month period in each calendar quarter. It will not be given during the final month of each quarter, in order to prepare new examination material for the next quarter. Candidates will not be allowed to retake a failed section within the quarter it was last taken; however, candidates will be allowed to take as many sections of the examination as they wish during any one quarter.

Board Adopts AICPA Standards for Professional Practice

The Accounting Examining Board has adopted standards for professional practice in the areas of auditing, accounting and review services, and attestation engagements. The Board's rule adopting standards will be published in the Wisconsin Administrative Code as § Accy 1.205.

The specific standards are:

- The statements on auditing standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.
- The statements on standards for accounting and review services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants.
- The statements on standards for attestation engagements issued by the Auditing Standards Board, the Accounting and Review Services Committee, and the Consulting Services Executive Committee of the American Institute of Certified Public Accountants.

The Board's rule specifically requires that certified public accountants in Wisconsin use these standards in their professional practice. The professional standards of the American Institute of Certified Public Accountants are now incorporated into the law regulating practice in Wisconsin. The board advises all practicing CPAs to become familiar with the standards. If you practice in any of the areas regulated by the standards, you have a professional responsibility to comply with the standards. Copies of the standards should be maintained in your office or otherwise available for easy reference.

The published statements are available from the American Institute of Certified Public Accountants, Inc., 1290 Avenue of the Americas New York, NY 10104. Copies of the Statements, described above, are on file in the Board office and available for review, but copies of the publications are not available for purchase through the Board office.

Rule Proposed to Define "Ownership Interest" for Accounting Firms

A recent state law change requires that more than 50% of the ownership interest of a CPA firm be held by CPAs. An applicant for a license as a certified public accounting firm must demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant issued under the laws of any state or foreign country. The board is considering a rule that would define "ownership interest" for the purposes of determining eligibility for a license as a certified public accounting firm. The Board will hold a hearing on the rule at its meeting on May 17, 2002. As currently drafted, the proposed rule states:

(1) "Ownership interest" means any equity or voting interest in a business organization.

(2) An applicant for a license as a certified public accounting firm shall demonstrate that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant issued under the laws of any state or foreign country.

(3) A firm applying for licensure is presumed to meet the ownership requirement under sub. (2) in the following circumstances:

- (a) If the applicant is a sole proprietorship and the owner holds a certificate and license to practice as a certified public accountant issued under the laws of this state.
- (b) If the applicant is organized as a service corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.
- (c) If the applicant is organized as a business corporation and more than 50% of the voting rights are held by individuals who are certified public accountants.
- (d) If the applicant is organized as a partnership or limited liability partnership and more than 50% of the voting rights are held by individuals who are certified public accountants.
- (e) If the applicant is organized as a limited liability company and more than 50% of the voting rights are held by individuals who are certified public accountants.

(4) An applicant firm with ownership characteristics other than those identified in sub. (3) may submit information about the financial interests and voting rights of all shareholders, partners and members of the firm to the board. The board may determine that more than 50% of the ownership interest of the firm is held by individuals who hold certificates or licenses to practice as a certified public accountant. In making this determination the board shall consider whether both equity interests and voting rights of all members of the firm result in control and management of the firm by individuals who hold certificates or licenses to practice as a certified public accountants.

The exact time and location of the hearing, will be published in the May issues of the Wisconsin Administrative Register, available electronically at <http://www.legis.state.wi.us/rsb/code/register/>

Peer Review Required for Renewal

Revisions to the law regulating public accounting establish a requirement that CPA firms complete a peer review as a condition to license renewal, commencing January 1, 2005. The Board is developing rules that describe the type of peer

review required, including requirements for the Board to approve persons to conduct the peer reviews.

CPA firms renew for a two-year period, commencing on January 1 of even-numbered years. The peer review requirement first applies to applications for the renewal period that commences on January 1, 2006. A peer review will not be required to renew a CPA firm license for the period January 1, 2004 through December 31, 2005.

CPA Applicants: Note the New One-Year Experience Requirement

CPA applicants who have passed the examination are reminded of the new one-year experience requirement. As recently amended, the law now requires an applicant for a CPA certificate to have one year of public accounting experience or its equivalent as determined by the Board.

The following lists are under consideration by the Board as criteria for experience that is equivalent to one year of public accounting. The sufficiency of the experience is subject to the board's evaluation. The Board welcomes written comments regarding these criteria.

Experience Equivalent to Public Accounting

- Financial statement preparation
- Financial statement consolidation
- Trial Balance/General Ledger/Fixed Asset
- Audit support
- Software conversion/installation of financial systems
- Account reconciliation
- Expense account analysis
- Tax payments and returns, payroll management
- Budget preparation, operating and capital
- Product costing
- Developing, testing internal controls
- Capital budgeting support
- Analysis of financial statements or budgets
- Analysis of information flows and accounting processes
- Research of accounting literature or tax codes
- Conducting internal audits
- Assigning accounting codes to invoices
- Preparation of journal entries
- Income tax preparation and projections-- individual and corporate
- Financial consulting

Experience NOT Equivalent to Public Accounting

- Cash Register Clerk
- Restaurant Manager
- Secretarial support
- Preparation of real estate sale closing statements
- Bank Trust Department Account Officer
- Analysis of insurance claims
- Supervision of Purchasing Clerks
- Bank Teller

REGULATORY DIGEST

PRSRT STD
U.S. Postage
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Madison, WI
Permit No. 1369

RETURN SERVICE REQUESTED

Telephone Directory

The Department of Regulation and Licensing uses an IVR Auto-Attendant Telephone System. This system may be accessed 24 hours a day for computerized licensing information. We ask for your patience as we perfect the system and remove some of the bugs we have encountered. You may continue to dial the following telephone number; **however, the extension numbers that had been published in past issues of the Regulatory Digest are no longer valid.** Please listen to the menu for the new extension numbers. The number to dial is:

(608) 266-5511

Our Fax Number is: **(608) 267-3816**

Visit the Department's Web Site at:

www.drl.state.wi.us

For our new "Online Verification of Credential Holders" click on the "License Lookup" button on the Department's home page.

Copies of the Regulatory Digest are on the Web.

Send comments to web@drl.state.wi.us

Verifications

Requests for verifications of license, sent to other states must be in writing. **The cost is \$10.** Please make out check or money order to the Department of Regulation and Licensing.

Dates to Remember in 2002

Board Meetings: May 17, August 16, October 18,
December 13

Exams: November 6-7, 2002

Deadline: 60 days before exam

Wisconsin Statutes and Code

Copies of the "Wisconsin Statutes and Administrative Codes For the Accounting Examining Board" may be ordered from the Department.

Include your name, address, county and a check payable to the Department of Regulation and Licensing in the amount of \$5.28. The latest edition is dated March 2002.

Change of Name or Address?

Please photocopy the mailing label of this digest, make changes in name or address, and return it to the Department. Confirmation of changes is not automatically provided.

WIS. STATS. S. 440.11 ALLOWS FOR A \$50 PENALTY TO BE IMPOSED WHEN CHANGES ARE NOT REPORTED WITHIN 30 DAYS.

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